



FILE COPY

December 31, 2014

Joshua Taves
Health & Style Institute
1114 Eastchester Drive
High Point, NC 27265-3114

RE: Final Program Review Determination
OPE ID: 041203-00
PRCN: 2014 2 04 28549

Dear President Taves:

The U.S. Department of Education's (Department's) Atlanta School Participation Division issued a program review report on July 16, 2014 covering Health & Style Institute's (HSI's) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2012-2013 and 2013-2014 award years. The institution's final response was received on September 12, 2014.

The Atlanta School Participation Division has reviewed HSI's responses to the Program Review Report. A copy of the program review report (and related attachments) and HSI's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by HSI upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

HSI's responses have resolved all findings. In addition HSI has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, HSI may consider the program review closed with no further action required.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

Federal Student Aid

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Atlanta School Participation Division
61 Forsyth Street SW, Suite 18T40, Atlanta, GA 30303

www.StudentAid.gov

If you have any questions please call Toyoko Woodard at (404) 974-9448 or
Toyoko.Woodard@ed.gov.

Sincerely,

(b)(6)

Christopher Miller
Division Director

Enclosure: Program Review Report
HSI's Response to the Program Review Report

cc: McFry, Jonathan, Financial Aid Administrator
National Accrediting Commission of Cosmetology Arts and Sciences
NC Board of Cosmetic Art Examiners



July 16, 2014

Joshua Taves
Health & Style Institute
1114 Eastchester Drive
High Point, NC 27265-3114

UPS Next Tracking #:
1ZA879640290507875

RE: Program Review Report
OPE ID: 041203-00
PRCN: 2014 2 04 28549

Dear President Taves:

From March 17, 2014 through March 21, 2014, Toyoko Woodard and Lynnette Davis conducted a review of Health & Style Institute's (HSI) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by HSI. The response should include a brief, written narrative for each finding that clearly states HSI's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, HSI must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

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The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by HSI upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Toyoko Woodard of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendix A contains PII. This appendix is encrypted and will be sent separately to the institution via e-mail upon request. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Toyoko Woodard at (404) 974-9448 or toyoko.woodard@ed.gov.

Sincerely,

(b)(6)

David Smittick
Compliance Manager

cc: McFry, Jonathan, Financial Aid Administrator

Enclosure:

Program Review Report (and appendices)
Protection of Personally Identifiable Information

Prepared for

Health & Style Institute

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

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the AMERICAN MINDSM

OPE ID: 041203-00

PRCN: 2014 2 04 28549

**Prepared by: Toyoko Woodard
U.S. Department of Education
Federal Student Aid
Atlanta School Participation Division**

Program Review Report

July 16, 2014

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A. Institutional Information

Health & Style Institute
1114 Eastchester Drive
High Point, NC 27265-3114

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts & Sciences

Current Student Enrollment: 204 (2013-2014)

% of Students Receiving Title IV: 96.6% (2013-2014)

Title IV Participation Postsecondary Education Participants System (PEPS):

<u>Title IV Programs</u>	<u>2012-2013</u>
Federal Pell Grant (PELL)	\$ 527,394
Federal Direct Loan (FDL)	\$ 978,644

Default Rate FFEL/DL:	2011 – 31.3%
	2010 – 24.0%
	2009 – 10.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Health & Style Institute (HSI) from March 17, 2014 to March 21, 2014. The review was conducted by Toyoko Woodard and Lynette Davis.

The focus of the review was to determine HSI's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of HSI's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2012-2013 and 2013-2014 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning HSI's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve HSI of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by HSI to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Credit Balance Authorization Form Inadequate

Citation:

In obtaining the student's or parent's written authorization to hold Title IV credit balances, an institution

1. May not require or coerce the student or parent to provide that authorization;
2. Must allow the student or parent to cancel or modify that authorization at any time; and
3. Must clearly explain how it will carry out that activity. 34 C.F.R. § 668.165

Noncompliance:

The credit balance authorization form that HSI used was not clearly titled. The form that was previously used was titled "Financial Aid Status & Waiver Forms". This form did not clearly indicate to students that this was a credit balance authorization form.

Required Action:

HSI was advised during the review that they must revise its Credit Balance Authorization form. The form must clearly state that the authorization may be modified and/or rescinded at any time. The form must be clearly titled, that it is a credit balance authorization form, and the student must be given the option to directly receive their credit balance.

HSI provided an updated copy of their Credit Balance Authorization form onsite with the required components therefore this finding is considered closed and no further action is required.

Finding 2: Student Enrollment Status - Untimely Reporting

Citation:

All schools participating in the Federal Student Aid (FSA) programs must have some arrangement to report student enrollment to the NSLDS through a Roster file (formerly called the SSCR). Student information is extremely important because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

34 C.F.R. § 685.309 states, a participating school shall establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 C.F.R. part 668; and submit all reports required by this part and 34 C.F.R. part 668 to the Secretary. A school shall upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and unless it expects to

submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

- (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
- (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- (iii) Has changed his or her permanent address.

Noncompliance:

HSI did not report to NSLDS status updates timely or accurately for several students, for example:

- Student #4: Enrollment reporting was untimely and inaccurate. The last day of attendance (LDA) was 5/28/13. HSI certified that the student had withdrawn 6/5/13 and it was not submitted until 9/12/13. The withdrawn date reported is inaccurate and reporting was not completed within the required timeframe.
- Student #5: Enrollment reporting was untimely and inaccurate. The last day of attendance (LDA) was 4/24/13. HSI certified that the student had withdrawn 6/12/13 and it was not submitted until 7/16/13. The withdrawn date reported is inaccurate and reporting was not completed within the required timeframe.
- Student #14: Enrollment reporting was inaccurate. The last day of attendance (LDA) was 3/21/13. HSI certified that the student had withdrawn 4/5/13. The withdrawn date reported is inaccurate.
- Student #15: Enrollment reporting was untimely and inaccurate. The last day of attendance (LDA) was 10/23/12. HSI certified that the student had withdrawn 11/15/12 and it was not submitted until 12/21/12. The withdrawn date reported is inaccurate and reporting was not completed within the required timeframe.
- Student #16: Enrollment reporting was untimely and inaccurate. The last day of attendance (LDA) was 10/8/13. HSI certified that the student had withdrawn 11/8/13 and it was not submitted until 12/17/13. The withdrawn date reported is inaccurate and reporting was not completed within the required timeframe.
- Student #19: Enrollment reporting was untimely. The last day of attendance (LDA) was 11/22/13. HSI did not submit enrollment reporting for this student until 2/11/14. The enrollment reporting was not completed within the required timeframe.

Student #25: Enrollment reporting was untimely and inaccurate. The last day of attendance (LDA) was 10/10/13. HSI certified that the student had withdrawn 10/24/13 and it was not submitted until 12/17/13. The withdrawn date reported is inaccurate and reporting was not completed within the required timeframe.

Required Action:

Due to the significant error rate of this finding, HSI must conduct a 100% file review of enrollment reporting for students who attended HSI during the 2012-2013 and 2013-2014 award years (including students identified in Program Review Sample). HSI must correct any errors discovered in the file review and report the outcome to the Department as part of HSI's Program Review Report response. The NSLDS enrollment corrections must include the correct enrollment status and correct effective date of the enrollment change. The results of this review must be provided in Excel or a similar spreadsheet format (separated by award year) and contain the following fields:

1. Student's Name
2. Student's SSN
3. Enrollment Reporting Correct or Incorrect
4. Detail Regarding Correction – If Correct – N/A
5. Date of Correction

Please send the file review summary reports (spreadsheets) to Toyoko Woodard by e-mail at toyoko.woodard@ed.gov. See the enclosure – Protection of Personally Identifiable Information (PII) for instructions regarding electronic submissions to the Department for data containing PII. Please present a separate e-mail with an access password.

HSI must engage an Independent Public Accountant (IPA) to test the file review completed by HSI. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Toyoko Woodard within 30 days of the Institution's receipt of the Program Review Report. Toyoko Woodard will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by HSI was accurate.

HSI must submit a copy of each affected student's corrected NSLDS enrollment history. In addition, HSI must revise its enrollment reporting policy/procedures to ensure future compliance. The revised policy/procedures document must be submitted in response to this Program Review

Finding 3: Verification Violation

Citation:

34 C.F.R. § 668.54 states, an institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items specified in 34 C.F.R. § 668.56.

The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount. Students are selected for verification on the basis of application edits specified by the Secretary. An institution must establish procedures to request, receive and verify applicant data for each award year. Institutions are also responsible for resolving conflicting information related to a student's application for Title IV aid. The following data elements are required to be verified for the 2012-2013 award year:

For All Applicants:

- Household size
- Number in college
- Supplemental Nutrition Assistance Program (SNAP, formerly food stamps)
- Child support paid

For Non-Tax Filers:

- Income earned from work

For Tax Filers:

- Adjusted gross income (AGI)
- U.S. income tax paid
- Education credits
- Untaxed IRA distributions
- Untaxed pensions
- IRA deductions
- Tax-exempt interest

34 C.F.R. § 668.54 of the General Provisions regulation states that an institution must verify all applications CPS selects for verification.

In general, your school must have correct data before it can pay the student. If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you must resolve the discrepancies before disbursing Title IV funds. If you discover discrepancies after disbursing Title IV funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Noncompliance:

HSI failed to complete verification adequately for the following students:

- Student #17:** HSI did not accurately complete verification for Student #17. This student was selected for verification; however, the Institutional Student Information Record (ISIR) conflicts with the verification form completed. The verification form indicates the student received \$750 a month in food stamp benefits, \$500 in cash support and \$875 a month in child support. None of the aforementioned amounts were indicated on the ISIR and there is no information in the students file to explain the conflicting information.
- Student #23:** HSI did not accurately complete verification for Student #23. This student was selected for verification; however, there is conflicting data where the ISIR indicates 5 in the household and 2 in college and the verification document indicates 3 in household and 1 in college. There is no explanation in this student's file to explain the conflicting information.

Required Action:

HSI must make the appropriate verification corrections for students 17 and 23. The institution must then determine if those corrections would have constituted a change to the students EFC and/or award amounts. HSI's response to this finding must provide copies of the verification documentation to support the institutions corrections and corrected data elements. The institution must explain corrective actions it will take to complete verification and resolve applicant discrepancies in the future in its response to this report.

Finding 4: Return of Title IV (R2T4) Untimely

Citation:

An institution is required to return funds to the applicable Title IV program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. 34 C.F. R. § 668.22

Pursuant to 34 C.F. R. § 668.173 (b) an institution returns unearned Title IV program funds timely if the institution deposit or transfers the funds into the bank account its maintains under § 668.163 no later than 45 days after the date the it determines that the student withdrew.

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by

the institution from its attendance records . See Financial Aid Handbook 2012-2013, Volume 5, Page 22.

Noncompliance:

HSI failed to return Title IV funds timely for Student #5. This student's last day of attendance was 4/24/13. HSI is required to take attendance and failed to determine this student withdrew until 6/12/13, more than 14 days from the time the student withdrew. HSI did not complete the R2T4 calculation until 6/20/13. Funds were not returned the Department until 6/24/13.

Required Action:

Failure to make refunds in a timely manner is a demonstration of impaired administrative capability. Continuous demonstration of impaired administrative capability made result in administrative action against the school.

HSI must strengthen procedures to ensure that refunds are made in a timely fashion. The institution's response must provide a description of the steps that will be taken to prevent a repeat of this finding in the future. Further instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 5: Failure to Disclose Full Title IV Eligibility to Students

Citation:

34 C.F.R. § 685.301(a)(7) indicates, an institution may certify/originate a loan for an amount less than the borrower's maximum eligibility. However, the institution must ensure that these decisions are made on a case-by-case basis, and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, handicapped status or selection of a particular lender or guarantor. In addition, an institution cannot engage in a practice of certifying Direct Loans only in the amount needed to cover the school charges or to limit unsubsidized Direct Loan borrowing by independent students. When the decision is made not to certify/originate a loan or to reduce the amount of the loan, the institution must document the reasons and provide the explanation to the student in writing.

The Free Application for Federal Student Aid (FAFSA) is the only form that a student is required to complete to be considered for student assistance from any of the Title IV, HEA programs. No additional application or other request for information can be required by an institution in support of the student's request for Title IV, HEA program assistance, except for information needed to ensure the student's eligibility for such assistance (e.g., information needed to complete verification or to demonstrate compliance with the student eligibility provisions of the HEA and the regulations).

The cost of attendance (COA) is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive. The COA is determined by law (HEA, 20 U.S.C. § 1087kk.) The law specifies the type of costs that are included in the COA, but an institution must determine the appropriate amount to include for each category of students. Schools have the authority to adjust the COA on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file.

While institutions and states may require other applications or additional information for the administration of their non-Title IV programs, they cannot require such information for the determination of a student's eligibility for Title IV, HEA student assistance. Thus, it must be clear in all of an institution's printed and electronic materials that no other application or information is required for consideration by the institution of the student's eligibility for assistance under the Title IV, HEA programs. Refer to following announcement, <http://ifap.ed.gov/eannouncements/031814ApplicationProcessforFederalStudentAid.html>.

Noncompliance:

HSI is unable to provide information to show how its packaging practices are beneficial to the individual student in terms of loan repayment, interest rates, etc. This practice of certifying students' loans for only tuition, books and fees also deprives students of funds needed for their indirect expenses (living expenses, transportation, and dependent care for students with dependents and miscellaneous expenses) and may increase their overall costs of education.

In addition, it appears students were forced to guess how much Direct Loan Title IV eligibility they may have available in order to request a student loan increase whereas the institution did not disclose the maximum amount available to the student in an attempt to prevent over borrowing.

Required Action:

HSI must revise its current student loan packaging policy and disbursement schedule to adhere to the regulations cited above. A copy of the revised policy must be provided in response to this report.

Finding 6: Subsidiary & General Ledgers Inadequate

Citation:

34 C.F.R. § 668.24(b)(2) and § 668.163(d) indicates, participating schools must account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles.

Schools must establish and maintain on a current basis ---

1. Financial records that reflect each HEA, Title IV program transaction; and

2. General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity.
3. Accounting and internal controls system that:
 - Identify the cash balance of the funds of each Title IV, HEA program that are included in the institution's bank or investment account as readily as if those program funds were maintained in a separate account; and
 - Identify the earnings on Title IV, HEA program funds maintained in the institution's bank or investment account.

A school must disburse Federal Student Aid (FSA) funds as soon as administratively feasible but no later than three business days following the date the school received those funds. See 34 C.F.R. § 668.162(b)(3).

In addition, an institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis—

- (i) Financial records that reflect each HEA, Title IV program transaction; and
- (ii) General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. See 34 C.F.R. § 668.24 Record retention and examinations.

A school's accounting records and systems for FSA funds must provide a clear audit trail that makes it possible to trace all federal cash from drawdown to its final destination. An audit trail, whether in a manual system, an automated system, or a combination of systems, includes the accounting record of a transaction, and all the documentation that supports each transaction.

Within accounting records, when data is recorded, a reference should also be recorded to identify the source of the data. The reference can be in the form of a date, a name, an address, or a number such as a journal page number, ledger account number, or check number. These references, used throughout the accounting cycle, form an audit trail that makes it possible to trace the details of a transaction from the source document to the financial statements and accounting records. See The Blue Book 2012-2013, Volume 4—Financial Operations and Program Integrity, Page 4-44.

Noncompliance:

HSI failed to provide general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. As a result, HSI does not maintain adequate internal records (general and subsidiary ledgers) to support Federal Pell Grant and Federal Direct Loan payments that it posted to students' accounts during the 2012-2013 and 2013-2014 award years.

Required Action:

HSI is required to provide supporting documentation that it has revised the 2012-2013 and 2013-2014 general and subsidiary ledgers for each of its Title IV programs to track the amounts of Title IV funds that have been awarded, obligated, disbursed and reconciled as paid on students' accounts in accordance with generally accepted accounting principles. In addition, HSI must provide the procedures that will be used to ensure future compliance.

D. Recommendation:

The following section is a reminder based upon the institution's 3-year cohort default rate (FY2010 – 40%). The Institution is not required to provide a response to, nor is it required to act upon the information below. However, the reviewer believes that the organization's awareness of cohort default rate information will assist in the administration of Title IV funds.

On October 28, 2009, the U.S. Department of Education (Department) published in the Federal Register the regulations enacted by the Higher Education Opportunity Act of 2009 that will govern the calculation of cohort default rates. Under the new provisions, an institution's cohort default rate is calculated as the percentage of borrowers in the cohort who default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. This extends the length of time in which a student can default from two to three years. Also, the Department published the regulations that will govern the calculation of the 3-year cohort default rates beginning with the FY 2009 cohort year. Section 436(e) of the Higher Education Opportunity Act of 2008 amended section 435(m) of the Higher Education Act of 1965 to implement the change from 2-year to 3-year cohort default rates. Section 436(e)(2) establishes FY 2009 as being the first cohort year that 3-year cohort default rates will be released.

In February 2012, schools began receiving both a 2-year and 3-year cohort default rate. That was the final year that schools received two sets of rates. This year, in 2014, only the 3-year cohort default rates will be released; 2-year rates will no longer be calculated. To help transition from 2-year to 3-year rates, schools will receive two cohort default rates, a 2-year and a 3-year, until September 2014 when only a 3-year rate will be released. Schools will not be subject to loss of eligibility until three consecutive years of 3-year cohort default rates have been calculated. However, it is important to note that schools will still be subject to loss of eligibility for 2-year cohort default rates until 2014.

A 3-year cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular federal fiscal year (FY), October 1 to September 30, and default or meet other specified conditions prior to the end of the second following fiscal year. Please refer to the Cohort Default Rate Guide for a more in-depth description of cohort default rates and how the rates are calculated (<http://ifap.ed.gov/DefaultManagement/CDRGuideMaster.html>).

The Department releases official cohort default rates once per year. The FY 2010 official 3-year cohort default rates, the second official 3-year cohort default rates available, were delivered to

both domestic and foreign schools on September 23, 2013, electronically via the Electronic Cohort Default Rate (eCDR) process. All schools must enroll in eCDR to receive cohort default rate notification. Schools may 1-800-330-5947.

Schools may also obtain an electronic loan record detail report via the National Student Loan Data System (NSLDS) Professional Access website. A loan record detail report contains the data used to calculate a school's FY 2010 official 3-year cohort default rate. Assistance in accessing the NSLDS site or with downloading an electronic loan record detail report is available through NSLDS Customer Service at 1-800-999-8219. For schools interested in taking actions to manage defaults, read the sample default management plan (<http://ifap.ed.gov/DefaultPreventionResourceInfo/index.html>).

Important Note: Some schools have a small number of borrowers entering repayment. At other schools only a small portion of the student body takes out student loans. In such cases, the cohort default rate should be interpreted with caution as these rates may not be reflective of the entire school population.

Because a school may appeal its cohort default rates, a school's official cohort default rate may change. Please contact the Operations Performance Division at fsa.schools.default.management@ed.gov for the most up-to-date information regarding school cohort default rates and eligibility for Title IV student financial assistance programs.

E. Appendices

Appendix A (Student Sample) that was provided to HSI during the entrance interview contains personally identifiable information and will be emailed to as an encrypted WinZip file using Advanced Encryption Standard, 256-bit upon request. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.